

Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 SS-15 SP-02 SAM-01 CIAE-00 INR-07

NSAE-00 NSC-05 NSCE-00 EB-07 COME-00 TRSE-00 OMB-01

L-03 STR-04 (ISO) W

----- 118726

R 300945Z JAN 76

FM AMEMBASSY SINGAPORE

TO USLO PEKING

INFO SECSTATE WASHDC 4472

AMEMBASSY MANILA

AMCONSUL HONG KONG

LIMITED OFFICIAL USE SINGAPORE 0514

E.O. 11652: N/A

TAGS: ETRD, EINV, SN, CH

SUBJECT: SALE OF FORD DIESEL EINGINES TO PRC

REFS: (A) SINGAPORE A-183, DEC. 30, 1975; (B) SINGAPORE
1151, MARCH 20, 1975.

SUMMARY. MANAGING DIRECTOR OF FORD MOTOR COMPANY PTE.
LTD. IN SINGAPORE, JOSEPH AUTON, CALLED ON AMBASSADOR
JANUARY 29 TO INFORM HIM OF PROJECT UNDER CONSIDERATION
BY FORD. PROJECT WOULD INVOLVE MANUFACTURE OF DIESEL
ENGINES IN SINGAPORE FOR SALE TO THE PRC. PURPOSE OF AUTON'S
VISIT WAS TO SEEK OUR ADVICE ON HOW FORD SHOULD PROCEED IN ITS
DEALINGS WITH THE CHINESE. END SUMMARY.

1. AUTON STATED THAT FORD HAS TOLD GOS THAT IT PLANS TO PHASE
OUT ITS OPERATIONS FOR ASSEMBLY OF MOTOR VEHICLES
IN SINGAPORE, BUT THAT IT IS STUDYING PROJECT FOR MANUFACTURE
OF DIESEL ENGINES. FACILITY WOULD MANUFACTURE 50-160 HP SERIES
OF ENGINES, WHICH HAVE WIDE RANGE OF INDUSTRIAL APPLICATIONS,
AND WOULD HAVE CAPACITY OF ABOUT 50,000 ENGINES PER YEAR IN
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ORDER TO MAKE PLANT ECONOMICALLY FEASIBLE. ESTIMATED COST

FOR FULLY INTEGRATED PLANT, INCLUDING A FOUNDRY, IS US\$300 MILLION. THE OPERATION WOULD BE EXPORT ORIENTED WITH PRIMARY OBJECTIVE OF SELLING DIESEL ENGINES TO PRC, ON BASIS OF ENCOURAGEMENT EXPRESSED BY VISITING PRC TRADE DELEGATION (SEE BELOW).

2. ACCORDING TO AUTON, GOS RESPONSE HAS BEEN ENTHUSIASTIC AND IT WAS AGREED THAT FORD PROJECT WOULD BE 50-50 JOINT VENTURE WITH GOS. GOS BELIEVES THAT SUCH A JOINT VENTURE IN SINGAPORE WILL HAVE DISTINCT ADVANTAGE IN DEALING WITH THE CHINESE, ESPECIALLY BECAUSE OF PROFESSED DESIRE ON PART OF PRC TO REDUCE LARGE TRADE IMBALANCE IN CHINA'S FAVOR BY GIVING SPECIAL CONSIDERATION TO SINGAPORE PRODUCTS (REF B).

3. AUTON REPORTED THAT HE MET WITH THE CHAIRMAN OF PRC TRADE MISSION THAT RECENTLY VISITED SINGAPORE AND THE CHINESE WERE VERY INTERESTED IN BUYING THE DIESEL ENGINES. SINCE THE VISIT, I.F. TANG, DEPUTY CHAIRMAN OF SINGAPORE'S ECONOMIC DEVELOPMENT BOARD (WHO ALSO TALKED TO CHINESE ABOUT MANUFACTURE OF DIESEL ENGINES HERE) HAS TOLD AUTON THAT THE PRC IS NOT WILLING TO SIGN A PURCHASE CONTRACT AT THIS TIME, BUT THAT THIS IS NOT SERIOUS OBSTACLE SINCE THE CHINESE ARE "MEN OF THEIR WORD." HOWEVER, AUTON SAID FORD OFFICIALS IN US WILL NOT MAKE SUCH A LARGE FINANCIAL COMMITMENT WITHOUT SOMETHING MORE THAN VERBAL ASSURANCES, EVEN THOUGH THEY STRONGLY DESIRE THIS OPPORTUNITY FOR AN OPENING TO CHINA THAT COULD LEAD TO INCREASED TRANSACTIONS IN THE FUTURE.

4. A GROUP OF FORD COMPANY OFFICIALS, LED BY EXECUTIVE VICE PRESIDENT FOR INTERNATIONAL AUTOMOTIVE OPERATIONS PHILIP CALDWELL, WILL MEET WITH AMBASSADOR ON FEBRUARY 11. TEAM WILL PROCEED TO MANILA, HONG KONG, AND PROBABLY PEKING (ON INVITATION FROM THE PRC IN RETURN FOR CHINESE VISIT TO FORD FACILITIES IN THE US LAST YEAR). IN PREPARATION FOR VISIT, AUTON REQUESTED ADVICE ON HOW FORD SHOULD PROCEED AND WHAT HAZARDS TO AVOID IN DEALING WITH THE CHINESE.

5. AMBASSADOR EXPRESSED OPINION THAT FORD MIGHT DO WELL TO BE CAUTIOUS UNTIL IT WAS CERTAIN THAT PRC OFFICIALS WITH NE-

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CESSARY AUTHORITY HAD MADE FIRM COMMITMENT, EVEN THOUGH CHINESE WORD IS CUSTOMARILY GOOD. HE SUGGESTED BEST APPROACH MIGHT BE FOR GOS AND FORD TO WRITE TO MACHIMPEX PROPOSING THAT JOINT MISSION BE SENT TO PRC, SPECIFICALLY TO DISCUSS THE SALE OF DIESEL ENGINES, AND IN THIS WAY KEEP UP MOMENTUM OF POSSIBLE DEAL. IN THE MEANTIME, AMBASSADOR PROMISED TO REQUEST FURTHER INFORMATION FROM USLO PEKING.

6. ACTION REQUESTED. EMBASSY WOULD APPRECIATE USLO SUGGESTIONS
ON THE ABOVE AND NAMES OF MOST APPROPRIATE PRC CONTACTS,
IF POSSIBLE PRIOR TO FEBRUARY 11.
HOLDRIDGE

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Disposition Date: 28 MAY 2004
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Margaret P. Grafeld
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